

Message Text

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15

ACTION TRSE-00

INFO OCT-01 EA-11 NEA-10 ISO-00 IO-14 AGR-20 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

NSC-10 SS-20 STR-08 CEA-02 L-03 H-03 PA-04 PRS-01

USIA-15 DRC-01 /199 W

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R 120554Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9102

INFO AMEMBASSY COLOMBO

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USADB

FOR NAC AGENCIES

E O 11652: ADS, DECLAS 12/31/74

TAGS: EAID, EFIN, CE

SUBJ: POST-EVALUATION OF FIRST TEA FACTORY MODERNIZATION PROJECT
IN SRI LANKA

SUMMARY: ADB MANAGEMENT HAS COMPLETED FIRST POST-EVALUATION OF
BANK PROJECT WHICH SOMEWHAT CRITICAL OF ORIGINAL BANK APPRAISAL
MISSION. USADB INTENDS COMMEND THIS INITIAL EFFORT BUT RECOMMENDS
STRENGTHENING EVALUATION PROCESS AND PROCEDURED IN LINE U.S.
POSITION REGARDING POST-EVALUATION. END SUMMARY

1. ADB DOC. IN 67-73 CONTAINS REPORT OF FIRST POST-EVALUATION OF
BANK-FINANCED PROJECT POUCHED OCT.31.

2. POST-EVALUATION MISSION COMPRISED OF THREE BANK STAFF OFFICIALS
AND ONE TEA EXPERT CONSULTANT VISITED SRI LANKA IN MARCH 1973 TO
STUDY ADB-ASSISTED FIRST TEA FACTORY MODERNIZATION PROJECT AND HAS
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PREPARED REPORT OF FINDINGS. ALTHOUGH FINDING LOAN GENERALLY

SUCCESSFUL, POST-EVALUATION MISSION STRESSED SEVERAL FACTORS RELEVANT TO PROJECT SUCCESS, EITHER OVER-LOOKED IN APPRAISAL PROCESS OR IMPROPERLY APPRECIATED BY BANK MISSIONS. THESE INCLUDED: (A) NEED TO FINANCE 33 KV SPUR TRANSMISSION LINES AND TRANSFORMER SUB-STATIONS TO BRING ADEQUATE POWER FROM NATIONAL GRID FOR FACTORIES SEEKING TO INSTALL MODERN POWER-INTENSIVE MACHINERY. THIS OVERSIGHT RESULTED IN NEED TO REALLOCATE 25 PERCENT OF \$2 MILLION LOAN, WITH CONSEQUENT REDUCTION IN AMOUNT INTENDED FOR IN-PLANT MACHINERY AND VEHICLES; (B) RELUCTANCE OF GOVT CENTRAL BANK TO GUARANTEE LONGER TERMS LIMITED BORROWERS TO HAVE YEAR FINANCING OFFERED BY COMMERCIAL BANKS MAKING SUB-LOANS, WHICH CONTRIBUTED TO DELAYS IN DISBURSEMENT; (C) EXCLUSIVE FOCUS OF SECTOR-TIED CREDIT LINE ON IMPROVEMENT OF PROCESSING WHICH ACCOUNTS FOR LESS THAN 20 PERCENT OF TEA PRODUCTION COSTS, WHILE MAJOR COST ELEMENT (AGRICULTURE - 46.4 PERCENT), WAS NOT BEING EFFECTIVELY REMEDIED BY GOVT'S CLONAL REPLANTING SCHEME.

3. STUDY SUGGESTS NEED FOR FUTURE APPRAISAL MISSIONS BE MORE COGNIZANT KEY LINKAGES BETWEEN PROPOSED PROJECTS AND WIDER POLICY AND INSTITUTIONAL SETTING IN WHICH ACTIVITY WILL FUNCTION. IN THIS RESPECT, REPORT NOTES HEAVY TAX INCIDENCE ON TEA CONTRIBUTORY FACTOR DISCOURAGING REINVESTMENT NEEDED TO MAINTAIN EFFICIENCY AND WORLD-WIDE COMPETITIVENESS OF INDUSTRY.

4. USADB BELIEVES THIS INITIAL ENDEAVOR COMMENDABLE AND USEFUL FOR BANK PURPOSES BUT OBVIOUSLY NO SUBSTITUTE FOR INDEPENDENT EVALUATION MECHANISM. USADB WILL AGAIN SUPPORT ESTABLISHMENT INDEPENDENT EVALUATION GROUP REPORTING DIRECTLY TO BOARD OF DIRECTORS DURING BOARD DISCUSSION THIS ITEM NOV. 20 AS WELL AS BOARD CONSIDERATION OF 1974 BUDGET NOV. 27. PRESIDENT INOUE HAS MENTIONED INFORMALLY WILLINGNESS TO CONDUCT MANY POST-EVALUATIONS BY OUTSIDE EXPERTISE, E.G. BY UNIVERSITIES OR NON-PROFIT ORGANIZATIONS, REPORTING DIRECTLY TO BOARD AND MANAGEMENT SIMULTANEOUSLY. MANDATE OF OUTSIDE EXPERTS TO BE DECIDE JOINTLY BY BOARD AND BANK MANAGEMENT.

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Message Attributes

Automatic Decaptioning: X
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Concepts: TEA, INDUSTRIAL PLANTS, BANK LOANS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 12 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
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30 JUN 2005

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